



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 21-06]

Notice of First Amendment to Compact with the Republic of Benin

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation is publishing a summary, justification, and full text of the proposed First Amendment to Millennium Challenge Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Republic of Benin. Representatives of the United States Government and the Government of Benin plan to conclude the Amendment in August 2021.

(Authority: 22 U.S.C. 7708 (i) (2))

Dated: August 3, 2021.

Thomas G. Hohenthauer,
Acting VP/General Counsel and Corporate Secretary.

Summary of First Amendment to Millennium Challenge Compact with the Republic of

Benin

The Board of Directors of the Millennium Challenge Corporation (“*MCC*”) has approved an amendment (the “*Amendment*”) to the existing US\$375,000,000, five-year Millennium Challenge Compact between the United States of America, acting through MCC, and the Republic of Benin (the “*Compact*”).

Background

The Compact was signed September 9, 2015 and entered into force on June 22, 2017. The Compact aims to strengthen Benin’s national power utility, attract private sector investment into solar power generation, and fund infrastructure investments in electricity distribution as well as off-grid electrification for poor and unserved households. The Compact comprises four projects: the Policy Reform and Institutional Strengthening Project, the Electricity Generation Project, the Electricity Distribution Project, and the Off-Grid Electricity Access Project

Scope of the Amendment

MCC proposes to extend the term of the Compact for an additional twelve months to June 22, 2023, and to provide additional funding up to \$16,000,000. The term extension is necessary to mitigate implementation delays due to the COVID-19 pandemic and to complete infrastructure projects as originally contemplated. The proposed additional funding will be used to cover additional program administration and related oversight costs associated with extending the Compact’s term.

Justification for the Amendment

In March 2020, Benin registered its first COVID-19 case, and within a week, the Government of Benin imposed compulsory 14-day quarantine requirements for air travelers, closed land borders to all but emergency travel, restricted visa issuance, and limited movement outside of the major population centers in southern Benin, cutting off access to the economic and political capitals from the rest of the country.

Contractors for the six major works packages that comprise nearly half of the compact budget rapidly imposed telework requirements and restrictions on staff travel, and shortly thereafter commercial airlines stopped servicing Benin. While contractors attempted to mitigate the impact of international travel restrictions by using local hires and consultants, domestic travel restrictions effectively prevented travel to 97% of the Benin's territory. The net effect of these developments was to hinder mobilization of contractor key staff to Benin and deployment of field staff to work sites, resulting in delays in field surveys, equipment imports, hiring of sub-contractors, and setting up offices and construction material warehouses. These mobilization delays in turn had a knock-on effect on the completion of final construction designs, field surveys, drawings, and management plans, and subsequent start of civil works. Outside of Benin, imposition of COVID-19 mitigation measures led to equipment manufacturing and shipping delays, thereby slowing contractor procurements, factory testing and acceptance of key substation components, the delivery of materials to site, and equipment installation at project work sites.

Extending the Compact's term will maximize long-term results and the return on investment by enabling MCC and the accountable entity in Benin to complete and hand over all ongoing projects to the beneficiary institutions without compromising health, safety, or environmental standards, and will reduce sustainability risks through the necessary attention to testing, commissioning, training of utility operators and technicians, and additional oversight. The additional MCC funding is necessary for and will be used to support oversight and other administrative functions during the additional twelve months of the compact term.

**FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT BETWEEN THE
UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM
CHALLENGE CORPORATION AND THE REPUBLIC OF BENIN**

FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT

This FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT (this “*Amendment*”), is made by and between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Republic of Benin, acting through its government (the “*Government*”) (each referred to herein individually as a “*Party*” and collectively, as the “*Parties*”). All capitalized terms used in this Amendment that are not otherwise defined herein have the meanings given to such terms in the Compact (as defined below).

RECITALS

WHEREAS, the Parties signed that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Republic of Benin, on September 9, 2015 (as modified, the “*Compact*”);

WHEREAS, Section 7.4 of the Compact provides for a Compact Term of five (5) years after its entry into force;

WHEREAS, the Compact entered into force on June 22, 2017;

WHEREAS, implementation of the Program has been adversely affected and delayed by the coronavirus pandemic;

WHEREAS, the Parties now desire to extend the Compact Term by an additional twelve (12) months (the “*Extension*”), and to increase MCC’s assistance under the Compact for related administrative and oversight costs, to allow the Government more time to implement and complete the Projects in order to fully achieve the Compact Goal, Program Objective and Project Objectives; and

WHEREAS, pursuant to Section 6.2(a) of the Compact, the Parties desire to amend the Compact as more fully described herein to memorialize the Extension.

NOW, THEREFORE, the Parties hereby agree as follows:

AMENDMENTS

1. Amendment to Section 2.1.

Section 2.1 (Program Funding) of the Compact is amended and restated to read as follows:

“Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed Three Hundred Seventy-Three Million, Five Hundred Nine Thousand, Eight Hundred Fourteen United States Dollars (US\$373,509,814) (“**Program Funding**”) consisting of Two Hundred Seventy-Three Million, Five Hundred Nine Thousand, Eight Hundred Fourteen United States Dollars (US\$273,509,814) (“**Tranche I Funding**”), Eighty Million United States Dollars (US\$80,000,000) (“**On-Grid Tranche Funding**”), and Twenty Million United States Dollars (US\$20,000,000) (“**Off-Grid Tranche Funding**”), for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.”

2. Amendment to Section 2.2.

Section 2.2(a) (Compact Implementation Funding) of the Compact is amended and restated to read as follows:

“(a) Upon the signing of this Compact, MCC will grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Seventeen Million, Four Hundred Ninety Thousand, One Hundred Eighty-Six United States Dollars (US\$17,490,186) (“**Compact Implementation Funding**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;

- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Implementation Funding is generally described in Annex II.”

3. Amendment to Section 7.4.

Section 7.4 (Compact Term) of the Compact is amended and restated to read as follows:

“Section 7.4 Compact Term. This Compact will remain in force for six (6) years after its entry into force, unless terminated earlier under Section 5.1 (the “***Compact Term***”).”

4. Amendments to Annex II (Multi-Year Financial Plan Summary).

(a) Section 2 of Annex II (Multi-Year Financial Plan Summary) to the Compact is amended and restated to read as follows:

“2. Government Contribution. During the Compact Term, the Government will make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government’s responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Benin on any debt incurred toward meeting these contribution obligations). In connection with this obligation the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to each of the Projects and

Program Administration. The Government will make a contribution of at least 7.5 percent of the amount of MCC Funding provided under this Compact over the Compact Term. The Government will allocate such contribution in the national budget according to a multi-year plan. The Government will provide evidence of the approval thereof to MCC prior to entry into force. In the event that deobligation of the On-Grid Tranche Funding or the Off-Grid Tranche Funding occurs in accordance with Section 8.3(a) of this Compact, the obligation for the corresponding Government contribution will cease to apply. Such contribution will be in addition to the Government's spending toward such Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government's contribution will be subject to any legal requirements in Benin for the budgeting and appropriation of such contribution, including approval of the Government's budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding. During implementation of the Program, the Government's contributions may be modified or new contributions added with MCC approval, provided that the modified or new contributions continue to advance the Project Objectives."

(b) Exhibit A to Annex II (Multi-Year Financial Plan Summary) to the Compact is deleted in its entirety and replaced by revised Exhibit A set forth in Annex I to this Amendment.

GENERAL PROVISIONS

1. Further Assurances.

Each Party hereby covenants and agrees, without necessity of any further consideration, to execute and deliver any and all such further documents and take any and all such other action as may be reasonably necessary or appropriate to carry out the intent and purpose of this Amendment.

2. Effect of this Amendment.

From and after the date this Amendment enters into force, the Compact and this Amendment will be read together and construed as one document, and each reference in the Compact to the “Compact,” “hereunder,” “hereof” or words of like import referring to the Compact, and each reference to the “Compact,” “thereunder,” “thereof” or words of like import in any Supplemental Agreement or in any other document or instrument delivered pursuant to the Compact or any Supplemental Agreement, will mean and be construed as a reference to the Compact, as amended by this Amendment.

3. Limitations.

Except as expressly amended by this Amendment, all of the provisions of the Compact remain unchanged and in full force and effect.

4. Governing Law.

The Parties acknowledge and agree that this Amendment is an international agreement entered into for the purpose of amending the Compact and as such will be interpreted in a manner consistent with the Compact and is governed by international law.

ANNEX I

REVISED EXHIBIT A TO ANNEX II TO THE COMPACT MULTI-YEAR FINANCIAL PLAN

SUMMARY

Compact Program Tranche I and CIF	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
1. Policy Reform & Institutional Strengthening Project								
1.1 Policy, Regulation, and Institutional Support Activity	3,501,904	729,664	2,578,737	760,008	4,051,526	360,072	54,000	12,035,911
1.2 Utility Strengthening Activity	1,105,247	9,204	65,153	14,123,285	699,852	-		16,002,741
1.3 Public Information & Education Activity	-	-	62,708	281,859	4,493	-		349,060
Sub-total	4,607,151	738,868	2,706,598	15,165,152	4,755,871	360,072	54,000	28,387,711
2. Electricity Generation Project - Tranche I								
2.1 Photovoltaic Generation Activity (Tranche I)	3,046,236	-	666,202	700,000	7,672,432	-		12,084,870
2.2 Thermal Generation Activity	583,270	-	-		-	-		583,270
2.3 Hydroelectric Generation Activity	-	-	-		-	-		-
Sub-total	3,629,507	-	666,202	700,000	7,672,432	-	-	12,668,141
3. Electricity Distribution Project								
3.1 Regional Grid Strengthening Activity	-	-	-	52,454,956	19,110	6,858,827	1,295,892	60,628,785
3.2 Cotonou Grid Strengthening Activity	-	155,142	19,618,504	47,289,387	409,032	17,089,928	4,138,162	88,700,154
3.3 National Electricity Dispatch Activity	-	8,533	22,668,572	1,550,680	-	4,131,171	647,946	29,006,902
Sub-total	-	163,675	42,287,076	101,295,023	428,142	28,079,926	6,082,000	178,335,841
4. Off-Grid Electricity Access Project - Tranche I								
4.1 Off-Grid Clean Energy Facility Activity (Tranche I)	488,594	250,000	1,561,226	15,563,602	1,778,142	-	2,500,000	22,141,563
4.2 Enabling Environment for Off-Grid Electricity Activity	1,347,439	-	591,547	439,105	134,587	-		2,512,678
Sub-total	1,836,033	250,000	2,152,773	16,002,707	1,912,729	-	2,500,000	24,654,241
5. Monitoring and Evaluation								
5.1 Monitoring and Evaluation	107,674	-	414,377	1,343,748	600,000	574,478	850,000	3,890,277
Sub-total	107,674	-	414,377	1,343,748	600,000	574,478	850,000	3,890,277
6. Program Administration and Oversight								
6.1 MCA-Benin II	5,608,216	1,534,203	2,839,077	4,365,037	4,516,182	5,970,679	4,514,000	29,347,393
6.2 Fiscal Agent	888,785	922,815	933,279	937,243	2,044,348	295,000	1,020,000	7,041,470
6.3 Procurement Agent	753,071	822,710	928,459	803,130	1,405,806	222,000	780,000	5,715,175
6.4 Audit	59,750	-	121,500	578,500	-	-	200,000	959,750
Sub-total	7,309,822	3,279,728	4,822,315	6,683,910	7,966,335	6,487,679	6,514,000	43,063,789
Total MCC Funding - Tranche I & CIF	17,490,186	4,432,271	53,049,341	141,190,539	23,335,509	35,502,154	16,000,000	291,000,000
Compact Program On-Grid Tranche	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
2. Electricity Generation Project - On-Grid Tranche								
3.1 Regional Grid Strengthening Activity (On-Grid Tranche)	-	-	-	20,000,000	-	-	-	20,000,000

3.2 Cotonou Grid Strengthening Activity (On-Grid Tranche)	-	-	-	60,000,000	-	-	-	60,000,000
Total MCC Funding - On-Grid Tranche	-	-	-	80,000,000	-	-	-	80,000,000
Compact Program Tranche Off-Grid Tranche	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
4. Off-Grid Electricity Access Project - Off-Grid Tranche								
4.1 Off-Grid Clean Energy Facility Activity (Off-Grid Tranche)	-	-	-	20,000,000	-	-	-	20,000,000
Total MCC Funding - Off-Grid Tranche	-	-	-	20,000,000	-	-	-	20,000,000
Total MCC Funds	17,490,186	4,432,271	53,049,341	241,190,539	23,335,509	35,502,154	16,000,000	391,000,000

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